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CURRENT INTELLIGENCE WEEKLY SUMMARY



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T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

THE GERMAN QUESTION Page 1

Speeches at the Soviet party congress and private remarks by Khrushchev underline Moscow's intention to transfer controls over Allied access to the East Germans and to sign a separate peace treaty with East Germany if the West rejects Soviet proposals on West Berlin and a German peace treaty. Soviet interference with Allied traffic on the Berlin access route was designed to demonstrate the vulnerability of the lifeline as Secretary Dulles began talks with Western leaders. [REDACTED]

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CAMBODIA Page 3

Cambodian Premier Sihanouk apparently is now satisfied that the coup planned by former royal councilor Sam Sary, supported by Thai and South Vietnamese circles, has been quashed. He is proceeding with plans to leave on 8 February for a week's visit to Indonesia. [REDACTED]

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THE SOVIET PARTY CONGRESS Page 4

The Soviet Communist party's 21st congress ended on 5 February. The nine-day session, with the Seven-Year Plan as its focus, was designed as a display of unity, vigor, and confidence in the Soviet party and the world Communist movement. The congress sought to launch the plan in a spirit of optimism and to draw world attention to the plan's objectives. The congress was intended also to serve as a testimonial to the wisdom and dynamism of Khrushchev's leadership and a new reminder of the penalties of opposition. [REDACTED]

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****5 February 1959****PART II****NOTES AND COMMENTS****CHOU EN-LAI RESTRICTS IDEOLOGICAL SIGNIFICANCE OF COMMUNES****Page 1**

At the Soviet 21st party congress, Chinese Communist Premier Chou En-lai carried one step further Peiping's retreat on ideological claims for the communes. He emphatically restricted the communes to China, referring to this development as "Chinese" four times in one sentence, and stated that the Soviet Seven-Year Plan would show the world the way of "transition from socialism to Communism." Chou's remarks and Khrushchev's statement that there cannot be disagreements between Moscow and Peiping reflect the concern of Chinese and Soviet leaders with the problem of differences over the commune program and their determination to minimize the effect of such differences on their working relationship. [REDACTED]

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DEVELOPMENTS IN ALGERIA**Page 2**

Algerian rebel leaders are underscoring their determination to continue fighting indefinitely by increasing their guerrilla operations. They are also continuing to recruit Algerian personnel for military training in Arab countries. Extremists among the European settlers are intensifying their campaign for official espousal of their integration policy and may attempt demonstrations during Premier Debré's visit to Algeria which begins on 9 February. [REDACTED]

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POLITICAL STRUGGLE IN MOROCCO**Page 3**

The left wing of Morocco's principal political party, Istiqlal, has made an open bid to seize control of the party. This has compounded the instability within the country and seems certain to split the party into several groups. The Istiqlal dissension may result in armed clashes, but a coup against the King is unlikely, at least in the initial phases of the struggle. Armed tribal bands continue active in the Rif and Middle Atlas regions. [REDACTED]

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CYPRUS**Page 4**

Following several weeks of negotiations between the Greek and Turkish foreign ministers, their prime ministers arrived in Zurich on 5 February in an effort to reach agreement on the Cyprus issue. The Greek Government repeatedly has avoided such a meeting in the past until all major issues preventing a settlement were resolved in lower level negotiations. While areas of disagreement

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probably remain between Athens and Ankara which could impede or even prevent a settlement, most of the barriers to a solution apparently have been removed. [REDACTED]

TENSION INCREASING IN HORN OF AFRICA Page 5

Tension throughout the Horn of Africa is likely to increase with Ethiopia's expected early annexation of Eritrea, which federated with Ethiopia under UN sponsorship in 1952. In addition, Ethiopian and French opposition to London's acquiescence to an association between the British Somaliland Protectorate and the Italian trust territory of Somalia following Somalia's independence in 1960 is likely to strain Britain's relations with Ethiopia and France. [REDACTED]

MIDDLE EAST DEVELOPMENTS Page 6

Nasir's conflict with the Qasim regime in Iraq and with Communist activity in the Arab world continues. The UAR press has accused Moscow of interfering with Arab neutrality, and the party congress in Moscow has been used as a forum for taking issue with Nasir's crackdown on Arab Communism. In Saudi Arabia, King Saud has apparently begun to reassert his leadership, and is striving to create the public impression that he desires friendly relations with Nasir. [REDACTED]

CZECH REGIME FACES OPPOSITION TO 1959 PLANS Page 8

Initial moves by the Czech regime to raise work norms, cut bonuses, and increase worker discipline have led to general discontent and to some minor disturbances. In carrying out these reforms, the regime will probably proceed with caution in order not to arouse the usually passive Czechs. [REDACTED]

NUCLEAR TEST TALKS Page 8

The Soviet delegation at the nuclear test cessation talks in Geneva introduced a draft article on the key question of voting procedures in the control commission. The USSR insists that all three "initial parties to the treaty" approve all significant decisions. The Soviet delegate warned that Western insistence on any other approach on the voting question could lead to failure of the conference. Moscow will probably now attempt to focus debate on the duration of a cessation agreement, which it believes is the most vulnerable point in the Western position. [REDACTED]

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ITALIAN CABINET CRISIS CONTINUES Page 10

Italian Premier Fanfani's rejection of President Gronchi's request to continue as premier suggests that Fanfani intends to press his advantage in the hope of an overwhelming victory over his right-wing opponents at the Christian Democratic party's April congress or at the polls. While many of the deputies will be reluctant to face early national elections, Gronchi may decide to dissolve the chamber if no viable successor government seems likely by spring. [REDACTED]

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GROWING OPPOSITION TO SALAZAR REGIME IN PORTUGAL Page 11

Both civilian and military supporters of the Salazar regime in Portugal have come to believe that the long-time prime minister has outlived his usefulness and should yield his office to a man more attuned to the times. Church-state relations have become cool, and the military for the first time is apparently less dedicated to Salazar's absolute control. [REDACTED]

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NEW AFGHAN-SOVIET ASSISTANCE AGREEMENTS Page 11

The Afghan Government, in an apparent move to strengthen its position toward what it considers a more hostile regime in Pakistan, has recently concluded aid agreements with the USSR. Several of the new agreements are apparently intended by Moscow to undercut existing American assistance programs in Afghanistan. [REDACTED]

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PAKISTAN PRESSES REFORM PROGRAM Page 12

Three months after General Ayub Khan's take-over as President of Pakistan, the new government's program of economic and social reform is beginning to be implemented, and the military regime appears to be making a determined effort to expedite its plans. Ayub is giving strong support to the minister of finance in his attempt to rehabilitate the economy, although chronic economic pressures have not yet been significantly relieved. [REDACTED]

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THAILAND Page 13

An authoritarian interim constitution has been promulgated in Thailand, but the interim government has not yet been formed. The constitution gives the prime minister and his council of ministers the power to rule by decree. Marshal Sarit is the logical choice to become prime minister, but his precarious health will continue to be the major factor making for political uncertainty.

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His likely successor would be General Thanom, his present deputy, with former Interior Minister Prapat exercising a strong influence. [REDACTED]

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INDONESIAN GOVERNMENT REORGANIZATION PLANNED Page 13

President Sukarno and the Indonesian cabinet are reported to have agreed on a reorganization of the government structure which would strengthen executive powers and have as a major purpose the reduction of Communist parliamentary strength. Implementation of the plan, however, depends on the elected Constituent Assembly, which is responsible for rewriting the constitution. Party leaders who control that body have refused so far to accept all the proposed changes. [REDACTED]

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NETHERLANDS POLICY ON WEST NEW GUINEA Page 14

Mounting concern in The Hague over the possibility of an Indonesian attack on West New Guinea is reflected in Foreign Minister Luns' appeal to British Foreign Secretary Lloyd for new assurances of Western support. If such support is not forthcoming, the Netherlands Government may for the first time give serious consideration to some means of transferring responsibility for New Guinea, possibly to the UN. [REDACTED]

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TAIWAN STRAIT SITUATION Page 15

Chinese Nationalist naval harassment of Communist shipping has been resumed for the first time since the crisis began last August, and "punitive" shelling of the offshore islands and naval countermeasures could result. Communist artillery activity recently has been light. [REDACTED]

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THREATS TO HAITIAN GOVERNMENT Page 17

The government of Haitian President Francois Duvalier, faced with a deteriorating economic and political position at home, is also threatened by opposition exiles who plan to stage an invasion from nearby Cuba. Tensions are high in Haiti, where many expect the collapse of the government soon, and disorders, which are probable, could spark widespread bloodshed. [REDACTED]

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CUBAN PROVISIONAL GOVERNMENT FACES CRITICAL PROBLEMS . . . Page 17

The effectiveness of the Cuban provisional government has been seriously hampered by the apparent inability of President Urrutia to make firm decisions without consulting Fidel Castro and by the inexperience of some of the cabinet members. Castro's lack of cooperation with the

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government and his addiction to irresponsible oratory contribute little to the solution of Cuba's problems. The most acute is the threat to the sugar industry caused by labor disputes, in which the Communists are probably involved. [REDACTED]

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PART III**PATTERNS AND PERSPECTIVES****COMMUNIST TACTICS AGAINST WEST BERLIN Page 1**

The vulnerabilities inherent in West Berlin's isolated position and dependence on Western aid and protection will be exploited by the Communists in their long-term campaign designed to weaken Western determination to maintain Allied rights in West Berlin, force the West to deal with East Germany, exclude Western influences from the city, and undercut its political and economic strength. The Communists hope to undermine the will of the population to resist and thus to bring West Berlin under complete Communist control either as a "free city" or in some other manner. [REDACTED]

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DE GAULLE MOVES TO MODERNIZE FRANCE Page 5

To help bring France nearer to his concept of what its "national grandeur" demands and to improve its power status, President de Gaulle issued a number of decrees under his special powers during the last weeks of his transitional government. The new decrees emphasize the streamlining and updating of economic, social, and administrative procedures and the substitution of regional for local planning. They affect all aspects of French life and strike at the network of vested interests and overlapping authority which have long caused the rigidity and stagnation crippling France's potential. Inertia and conflicting interests will tend to sabotage much of the hastily drafted program, but De Gaulle has prepared the framework for a modern efficient state. [REDACTED]

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SOVIET PENETRATION OF THE WEST EUROPEAN OIL MARKET Page 8

To support its rapidly increasing sales of oil in Western Europe, the Soviet Union has pressured governments to step up purchases and threatened Western oil companies with the alternatives of distributing Soviet oil or facing a price war. The USSR now supplies about 4 percent of Western European requirements and probably will be able to increase its share by 1965 to about 10 percent of the growing market. Control of Middle Eastern or other external

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sources of petroleum could make possible the capture of an even larger portion of this market. [REDACTED]

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OPPOSITION GROWING TO TURKISH PRIME MINISTER Page 10

Prime Minister Menderes of Turkey is facing mounting opposition both within and outside his Democratic party. Opposition leader Ismet Inonu has kept the initiative by his aggressive criticism of economic policies and of restrictions on individual liberties. Menderes also faces a sizable bloc of legislators within his own party who oppose his restrictive measures against the opposition. As the benefits of the Western-supported stabilization program begin to be felt, Inonu may shift his attacks to allegations that Menderes is subservient to the United States. [REDACTED]

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PART I

OF IMMEDIATE INTEREST

THE GERMAN QUESTION

Foreign policy speeches by Khrushchev, Mikoyan, and Gromyko at the Soviet party congress carried forward the Soviet campaign to bring the Western powers to high-level talks on terms favorable to the USSR. Khrushchev's invitation to President Eisenhower to visit the USSR, issued on the same day that Prime Minister Macmillan announced his plans to go to Moscow on 21 February, was a further move to underscore the USSR's peaceful posture in seeking talks with Western leaders.

Khrushchev attempted to place the United States in an unfavorable light by deliberately misrepresenting President Eisenhower's remarks in his 28 January press conference concerning a Khrushchev visit to the United States. He also charged that American leaders want to reverse the "thaw" in Soviet-American relations which resulted from Mikoyan's visit. The Soviet leaders may plan to follow up Mikoyan's informal invitation to Vice President Nixon and Khrushchev's speech with formal overtures to American leaders.

over of Berlin access controls, he stressed that "nothing would change" and implied that East German control would not be far-reaching.

Mikoyan took the line that the improved atmosphere in Soviet-American relations following his visit to the United States reflects the awareness of the American leaders and public that the balance of power is shifting to the Soviet bloc. He attempted to convey the impression that the United States is becoming reconciled to the status quo, especially in Eastern Europe, and may therefore seek to avoid a showdown on Berlin.

Mikoyan concluded from his talks with American leaders that they now are inclined "to recognize the principle of peaceful coexistence" and noted that "in contrast to earlier times, the American statemen expressed a readiness to negotiate." He also remarked that the Americans no longer talked of a "policy of containing, repelling, or liberating."

Gromyko's speech provided further evidence that Moscow hopes to maneuver the West into at least tacit recognition of the status quo in Eastern Europe. His remarks reflected the Soviet leaders' concern over the growing military power of West Germany and their desire to contain this potential threat. Gromyko denounced Chancellor Adenauer for rejecting Soviet proposals aimed at easing tension, and charged that West German leaders are seeking to

25X1 [redacted]
25X1 [redacted] the USSR, although preferring a conference of the four heads of state, would agree to a meeting at the foreign ministers' level with parity of representation. He further indicated the USSR would probably agree to a general topic--"the German problem"--for such a conference. Regarding the turn-

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prevent any East-West accommodation until West Germany has built up sufficient military power to "impose its terms" for reunification and a peace treaty.

Moscow's determination to take further measures to offset West Germany's growing military power in the absence of a peace treaty and a Berlin settlement was also evident in Gromyko's speech to the party congress. He warned that if a peace treaty is not concluded, the USSR and the European satellites "will explore other ways of solving this problem"--an apparent hint of a separate peace treaty with East Germany. Gromyko also declared that the bloc would take "retaliatory measures" against the "atomic arming" of West Germany and forecast the establishment of "rocket ramps" on both sides of the Federal Republic's frontiers "aimed at corresponding targets."

As high-level Western talks on the German problem got under way in Europe, Soviet authorities created a crisis atmosphere by detaining an American truck convoy from West Berlin for 56 hours at the Marienborn checkpoint just inside East Germany after their demand to closely inspect the vehicles had been rejected. The Russians probably hoped by this move to complicate Secretary Dulles' talks with his Allied colleagues by pointing up that the West's access lines to Berlin are extremely vulnerable.

This is the first interference with Western military traffic to Berlin since November 1958, when another American convoy was stopped just after it left the divided city and was held for six hours before being permitted to return. This

incident was at a time of heightened tension just after Khrushchev's 10 November announcement that Soviet functions in Berlin would be turned over to the East Germans.

The Russians probably hoped when they detained both American and British trucks on the same day that the two Allies might have reacted in different ways and thus weakened their resistance to Soviet demands for the right to inspect Allied military vehicles. The Russians may wish to have their right to inspect the vehicles accepted before they turn controls over to East Germany so that there will be a precedent for such a procedure being continued by the East Germans.

As the six-month grace period approaches its end, the Russians will probably impose further harassments on Allied surface traffic to Berlin in attempts to weaken Western resolve not to accept East German authority and to force the Allies to submit to the various controls the Kremlin has thus far been unable to impose. The Russians will be quick to exploit any display of Western weakness or disunity.

French Position

The draft of the French reply to Moscow leaves open the question of a fixed agenda by stating that "successful negotiations ought not to be subject to any conditions which could limit their scope, prejudge results, or subject one of the participants to immediate or long-term pressure." However, the French note suggests German unification, a peace treaty, and European security as suitable topics for

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an "exhaustive discussion." This flexible tone contrasts with hints of a strong stand on Berlin access; the draft states that France reserves the "right to maintain its communications with the French sector of Berlin by all appropriate means."

British Attitudes

Prime Minister Macmillan's announcement of his trip to the USSR beginning 21 February came in an atmosphere increasingly charged with pre-election fever. Marring a demonstrable failure, Macmillan's dramatic move into personal diplomacy should bene-

fit the Conservative cause in the general elections, which, although not mandatory until May 1960, now seem likely to be held this spring.

Even before Macmillan's formal announcement, the London press greeted the prospect of a visit to the USSR with enthusiasm, and Secretary Dulles' London visit evoked advice not to be dissuaded by the United States. Comments ranged from the Conservative Daily Mail's "best news of its kind in years" to the semiofficial Labor Daily Herald's warning that despite any American objections, Macmillan should "go, man, go."

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CAMBODIA

Cambodian Premier Sihanouk apparently is now satisfied that publicity given the coup plot of former royal councilor Sam Sary has cooled external intriguing against him by the Thais and Vietnamese. Sihanouk's intention to leave on schedule on 8 February for a week's visit in Indonesia indicates he feels his position is secure.

Chhuon will be the ranking military officer on active duty in Cambodia during Sihanouk's absence, as the only

other senior officers--Army Chief of Staff Lon Nol and Air Force Chief Ngo Hou--are accompanying the premier.

Cambodian-Thai relations have eased considerable, at least on the surface, as a result of mediation efforts by Baron Beck-Friis, special representative of United Nations Secretary General Hammarskjold. Diplomatic relations, severed since last November, are expected to be resumed shortly. Cambodia already has released some 50 Thai civilian detainees and halted its press criticism of the Bangkok regime. For their part, Thai officials seem equally desirous of appearing

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reasonable under the spotlight of international attention. Authorities in Bangkok insist

they have withdrawn all support from anti-Sihanouk elements.

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THE SOVIET PARTY CONGRESS

The Soviet Communist party's 21st congress ended on 5 February. The nine-day session, with the Seven-Year Plan as its focus, was designed as a display of unity, vigor, and confidence in the Soviet party and the world Communist movement. The congress sought both to launch the plan in a spirit of optimism and to draw world attention to the plan's objectives. The congress was intended also to serve as a testimonial to the wisdom and dynamism of Khrushchev's leadership and a new reminder of the penalties of opposition.

The congress ended with the adoption of a resolution approving the Seven-Year Plan directives. Khrushchev spoke toward the close as he had at the beginning. In between, a procession of approximately 140 speakers came to the congress rostrum to add their dutiful comments to Khrushchev's keynote speech. The speakers included all full and candidate members of the party presidium except Voroshilov and D. S. Korotchenko, all republic party leaders, the party chiefs in the principal industrial regions, and numerous delegates from non-Soviet Communist parties.

Using the Seven-Year Plan as a point of departure, they devoted themselves to discussions of affairs in their respective regions and spheres of interest and to pledges of dedicated support of the Soviet party's objectives.

Following the general lines and tone established by Khrushchev on 27 January, successive speakers strove to create a picture of a strong and unified Soviet state, confident in the future rapid growth of its economic, political, and military position in the world. There were repeated forecasts of success in the not-distant future for the Soviet effort to equal and outdistance the United States in industrial and agricultural output per capita, an achievement which would signal a victory for the USSR and world Communism in economic competition with the West.

Frequent echoes of Khrushchev's bitter denunciation of the divisive aims of Yugoslav "revisionism" were accompanied by expressions of confidence that the cohesion of the Communist bloc had been restored. The firmness of the Sino-Soviet alliance was emphatically reaffirmed, but evasion on the subject of the commune development in Communist China suggests continuing uncertainty within the bloc on that issue.

Foreign Policy

Pronouncements on foreign policy reflected the Soviet leaders' confidence and determination in pressing a major test of strength upon the West on the Berlin and German questions. The speeches made no

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change in established Soviet positions on these issues but provided further evidence that Moscow intends to use the Berlin and German peace treaty moves to maneuver the West into at least tacit recognition of the status quo in Eastern Europe.

Gromyko's speech in particular indicated the Soviet leaders' concern over the growing military power of West Germany and their desire to contain this potential threat to the East German regime. The USSR appears to believe that the best way to counter this threat is to force the Western powers to reach some arrangement with the East Germans on the question of access to Berlin, which would imply recognition of East German authority. The congress speeches also set the stage for further legal measures to bolster East German security, such as signing a separate peace treaty in the absence of an East-West agreement on an all-German treaty.

Moscow seems to calculate that Mikoyan's visit to the United States, Khrushchev's invitation to President Eisenhower to visit the USSR, and the forthcoming talks with Prime Minister Macmillan will make it more difficult for the West to resist Soviet pressure for new high-level talks. However, if the Russians are unable to arrange a conference on favorable terms, they probably believe that such diplomatic initiatives will substantially reduce the West's ability to react firmly to a transfer of controls over Allied access to West Berlin to the East Germans.

Khrushchev's vigorous re-statement of Soviet views on a

nuclear test-cessation agreement contained no hints of concessions which would narrow the areas of difference with the West on such key issues as voting procedure in the control commission and duration of an agreement.

His criticism of the anti-Communist campaign in the UAR provided the clearest evidence to date of Moscow's growing displeasure with Nasir. However, the obvious effort to balance this criticism with assurances of continued support of Arab nationalism suggest that the Soviet leaders do not contemplate any major changes in their Middle East policy and that they are confident that the tide is still flowing against the Western powers in the Afro-Asian world.

The Antiparty Group

Attacks on the "antiparty" group of Malenkov, Molotov, Bulganin, and Shepilov were persistent, but the congress took no further action toward them. On 29 January, however, a Leningrad party leader added Mikhail Pervukhin and Maksim Saburov to the list of those guilty of past opposition to Khrushchev's policies and demanded that they come forward to admit "their role in the antiparty group."

Both men were full members of the party presidium when the "antiparty group" tried to unseat Khrushchev in June 1957, and reports received at that time indicated that they, as well as Voroshilov, had joined the "antiparty group" in opposing certain Khrushchev policies. Pervukhin, who was demoted to candidate membership in the presidium and is now Soviet

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ambassador to East Germany, and Saburov, demoted to managing a factory in a provincial city, appeared before the congress to admit their past "errors."

The net result of this exercise was to further discredit the earlier opposition group and to give a warning to all levels of the Soviet party, government, and society that Khrushchev will not tolerate

anything other than earnest support.

However, Pervukhin, Saburov, and Bulganin were not removed from the central committee by the congress, as one speaker had demanded. A plenary meeting of the central committee itself may now be convened to take up this question, as well as to work out more specific measures for the implementation of the Seven-Year Plan.

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PART II

NOTES AND COMMENTS

CHOU EN-LAI RESTRICTS IDEOLOGICAL SIGNIFICANCE OF COMMUNES

Speaking first among foreign delegates at the Soviet 21st party congress, Chinese Communist Premier Chou En-lai on 28 January carried one step further Peiping's retreat on ideological claims for the communes. In line with Khrushchev's statement on the previous day that no bloc country can advance toward socialism "along some other path than the general road," Chou stated that China's "broad highway" is the same course indicated by the common laws governing socialist construction set forth in the 1957 Moscow Declaration. He stressed--as no Chinese Communist leader has done for almost a year--that the Soviet example of "building socialism and Communism" has inspired Communists everywhere "who see in the Soviet Union's today their tomorrow."

On the equally important issue of the communes' applicability outside China, Chou restricted them to China with an emphasis greater than the Peiping central committee's 10 December resolution. He referred to this development as Chinese four times in one sentence. The impression he clearly sought to convey was that the Chinese Communist party will not use the communes to challenge Soviet ideological leadership. The Soviet Seven-Year Plan, he said, will show the world the way of "transition from socialism to Communism."

Chou was also hinting to the assembled satellite leaders that if they attempt to justify personal policies by citing Chinese precedents, they cannot expect Peiping's support in the face of any Soviet opposition.

He and Mao--whose message was read to the congress--stated that Moscow is the leader of all Communist parties as well as of all bloc countries.

On the question of the imminence of Communism in China, Chou repeated Peiping's altered timetable--China will be a socialist country in 15 or 20 years "or a bit longer"--and stressed the need for "highly developed" modern industry, agriculture, and science. This timetable and the stress on industrialization place the level of socialist construction in China just where the Soviet leaders want it: behind some of the "more advanced" satellites. The current Chinese position implies that while the commune will be the basic form for China's eventual transition to Communism, the consolidation and amalgamation of existing communes will be less decisive than industrialization as the criterion for proclaiming the completion of the socialist stage.

Khrushchev, who was frank in stating that Chinese methods are "in many ways dissimilar to ours," insisted that a common world view and "solidarity" with the USSR rather than "special forms in building socialism" are the important considerations in the Sino-Soviet alliance. His statement that there cannot be disagreements between Moscow and Peiping and Chou's remarks reflect the preoccupation of Soviet and Chinese leaders with the problem of differences over the commune program and their determination to minimize the effect of such differences on their working relationship.

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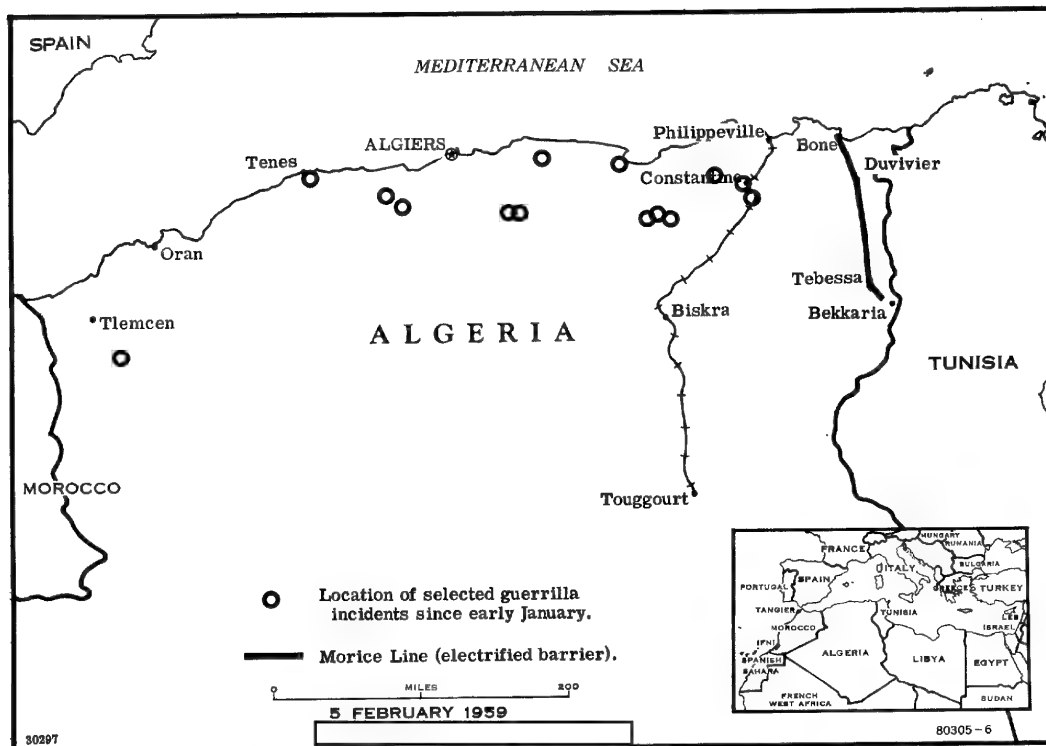
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DEVELOPMENTS IN ALGERIA

Algerian rebel leaders, reported encouraged by the prospects for political negotiations with France, have nevertheless stepped up guerilla operations. This action underscores their determination, as well as the rebel army's apparent ability, to continue fighting indefinitely.

on small French Army units as well as their terrorist and sabotage operations.

These operations, aimed particularly at transport and communication routes and facilities, resulted in the first successful rebel attack on a train carrying Saharan oil to Philippeville and interrupted



This latest upsurge of rebel activity, which has been concentrated in but not limited to eastern Algeria, first became apparent in the second week of January and gained momentum at the end of the month. Rebel forces have greatly increased their ambush attacks

for several days vital underground cables serving the city of Constantine. Recent rebel efforts to pierce the Morice Line--France's electrified barrier along the Algerian-Tunisian frontier--have also apparently met with some success, although not to the extent claimed publicly by rebel spokesmen.

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The rebel leadership's attitude is further reflected in the continuing flow of Algerian recruits to military academies and other training camps in Arab countries--especially in the United Arab Republic. A 14 January press report from Beirut noted the arrival at Jordan's military academy of the fifth "Algerian army officer" of 12 anticipated.

Right-wing European extremists in Algeria, exploiting the rebels' resurgence and the publicly expressed desire of

some French Army leaders for more troops, are generating mounting pressure for an unequivocal endorsement of integration by the Paris government. These elements, which are becoming increasingly active and articulate, may attempt demonstrations during Premier Debré's visit to Algeria which begins on 9 February. References have appeared in the right-wing press to the prevalence of threats of a "new, much more violent 13 May" if the "political solution" desired by "liberals" should materialize.

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POLITICAL STRUGGLE IN MOROCCO

The left wing of Morocco's principal political party, Istiqlal, has made an open bid to seize control of the party. This has compounded the instability within the country and seems certain to split the party into two or more groups. The breakup of Istiqlal, which has striven for one-party rule, would be welcomed by the King as well as by the small opposition parties and groups which it has harassed or suppressed. The Istiqlal dissension may result in armed clashes or terrorism as partisans of the rival factions strive for control. A coup against the King is unlikely, however, at least in the early phases of the struggle.

The left wing, which is not a united force, is led by dynamic young Mehdi ben Barka. Its support--mainly drawn from youth, labor, and former resistance groups--is strongest in Casablanca, Marrakech, and Agadir. Ben Barka hoped to gain control over the party's organization and machinery at the party's congress scheduled for mid-January. When Istiqlal leaders postponed the congress, he with-

drew from its executive committee and convoked a series of rump meetings to set up territorial organizations.

The Istiqlal's right wing, led by traditionalist Allal el-Fassi, has responded to the left-wing moves with unexpected vigor,



BEN BARKA

expelling Ben Barka and other extremists from the party. This belated reinvigoration may enable the conservatives to hold onto the party machinery and

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most of the rank-and-file supporters. Left-wing ministers, particularly Premier Ibrahim, are observing at least an ostensible and provisional neutrality. The King is known to hope that the responsibilities of power will wean them from the extremists--an attachment which he considers more fortuitous than ideological.

Outwardly attempting to remain aloof from politics, the King nevertheless favors the growth of a loyal opposition and may be playing a backstage role in the intraparty strife. His strength and popularity remain very great, but his prestige has suffered noticeably during the past year because of his apparent abandonment of persons close to him. His sanctioning of the use of troops against the Berber tribes may alienate a segment of the population whose loyalty is tenuous at best. He probably will not assert positive leadership in this crisis, but will prefer, as usual, to move cau-

tiously in the wake rather than the vanguard of events.

Armed tribal bands continue to be active in the Rif and the Middle Atlas regions. The King seems to hope for an



EL-FASSI

accommodation with tribal leaders to enable him to disperse some of the Moroccan forces now operating in the north. 25X1

CYPRUS

Following several weeks of negotiations between the Greek and Turkish foreign ministers, their prime ministers arrived in Zurich on 5 February in an effort to reach agreement on the Cyprus issue. The Greek Government has repeatedly avoided such a meeting in the past until all major issues preventing a settlement were resolved in lower level negotiations. While areas of disagreement probably remain between Athens and Ankara which could impede or even prevent a solution, most of the barriers to a settlement--such as Ankara's original demand for a large

military base on Cyprus or disagreement over the right of the proposed independent Cyprus to join the UN--apparently have been removed. The Greek foreign minister claims that Archbishop Makarios is being informed about progress of the negotiations and is in full agreement with the Greek Government's position.

If agreement is reached between Greece and Turkey, the British, who have taken no part in the discussions leading up to the present meeting between the two prime ministers, are expected to be asked to join in a subsequent tripartite conference.

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Such a conference might be largely pro forma, designed primarily to proclaim publicly a final Cyprus settlement based on the Greek-Turkish draft solution.

Optimism regarding a Cyprus settlement between Greece and Turkey is somewhat clouded by continued Greek distrust of British motives. Averoff has repeatedly stated his conviction that the British Government will attempt to sabotage an eventual agreement. The British, while expected to demand continued sovereignty over their military bases on Cyprus--accepted by

all parties to the dispute--and to insist on provisions to prevent eventual Communist domination of the new government, are not expected to reject a solution agreed to by Athens and Ankara.

On Cyprus, there has been no resurgence of violence, despite warnings by Greek Cypriots that recent British security operations would provoke an EOKA response. The operations have now been concluded and new releases of political detainees have further improved the atmosphere.

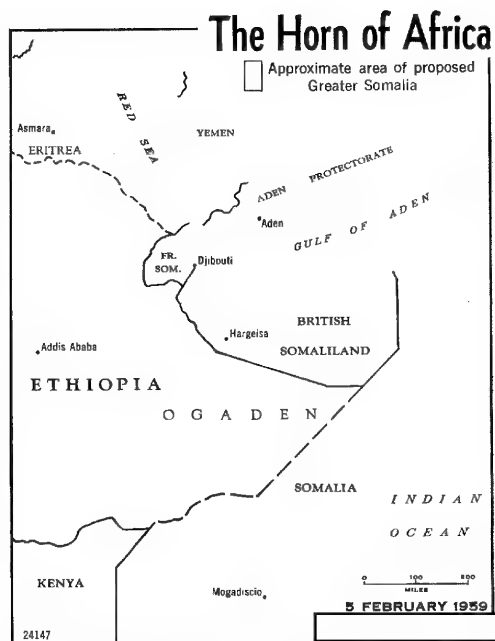
25X1

TENSION INCREASING IN HORN OF AFRICA

Tension throughout the Horn of Africa--already high because of the border dispute between Ethiopia and the Italian trust territory of Somalia--is likely to increase with Ethiopia's expected annexation of Eritrea. Since 1952, when Eritrea was federated with Ethiopia under UN auspices, Ethiopia has gradually increased its control in preparation for eventual annexation. The Eritrean Assembly, dominated by Addis Ababa through bribery and threats, is expected soon to vote for union with Ethiopia.

This action will be viewed by Somalia, scheduled for independence in 1960, as proof of its long-standing charge that Addis Ababa seeks to extend its control over the entire Horn of Africa to prevent encirclement by pan-Arab Moslem states directed by Nasir. The undelineated frontier between Ethiopia and Somalia has been the subject of UN-sponsored attempts at mediation since 1951.

Somalia refuses to accept the present administrative boundary, which reflects the 1908



25X1

Italo-Ethiopian treaty, unless grazing rights are assured to 350,000 Somali nomads who enter the largely Somali-inhabited Ethiopian province of Ogaden during the dry season. Moreover, the rapid development of national consciousness among

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Somalis has increased demands for an independent Greater Somalia unifying--largely at Ethiopia's expense--the 2,500,000 Somalis now distributed among five jurisdictions in Eastern Africa.

London, aware of the growing sentiment in the British Protectorate of Somaliland for an eventual association with an independent Somalia, recently suggested a plan designed to alleviate tension and to promote regional stability. Under the plan, London would accelerate the protectorate's preparation for independence, and would not oppose a mutually agreeable association between the protectorate and Somalia after 1960.

British acquiescence to a Greater Somalia is aimed at lessening Egyptian influence in the

area by denying the UAR a powerful propaganda weapon--promotion of a Greater Somalia--and strengthening the position of the moderate, pro-Western government of Somalia. London would also support Ethiopia's demand that present administrative boundaries with the Somali territories become permanent.

Ethiopian officials have been vehement in their denials that the British plan would protect Ethiopia's territorial interests against Somali claims. French officials take a similar line by warning that French-British relations would suffer "serious consequences" from any action by London which might encourage agitation for integration of French Somaliland with other Somali territories and thereby jeopardize French control of the strategic naval base of Djibouti.

25X1

MIDDLE EAST DEVELOPMENTS

UAR-Iraq

Nasir is continuing his conflict with Premier Qasim and the Iraqi Communists, and with Communist activity in the Arab world. The Cairo and Damascus press and the UAR-supported newspapers in Beirut are engaged in a vigorous verbal battle with Baghdad, and have also accused Moscow of interfering with Arab neutrality.

In an article on 29 January, Muhammad Haykal, a Cairo newspaper editor close to Nasir, criticized as interference in the UAR's affairs the speech of Soviet Premier Khrushchev at the 21st party congress which openly criticized Nasir's crack-down on Communists in the UAR. The Moscow congress continued, however, to be used as a forum

for taking issue with Nasir's contention that Communism is hostile to Arab nationalism. Other Soviet speakers echoed Khrushchev's remarks, as did Arab Communist leaders Bakdash of Syria and Adil of Iraq, who were also in Moscow.

Nasir, meanwhile, in his opening address to the Afro-Asian Youth Conference in Cairo on 2 February, indirectly criticized the USSR's support of Arab Communists with pointed references to the "noninterference" principle of the Bandung nations. Khrushchev's letter of greeting to the conference was read to the accompaniment of "Greek chorus" chants proclaiming a determination to avoid identification with either East or West.

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[REDACTED]

Cairo continues alert for any opportunity to embarrass Qasim and to promote suspicion and rivalry in the premier's entourage in Baghdad.

Saudi Arabia

King Saud has apparently begun to reassert his leadership and is striving to create the impression that he is seeking friendly relations with Nasir. Saud sent Nasir congratulations on the first anniversary of the formation of the UAR, in the first such gesture toward Nasir since their estrangement early last year.

25X6

Saudi Arabia. In recent months Saud has toured widely among tribes in the north and east, and in the Hejaz, dealing with local administrative problems and dispensing generously of his own funds. [REDACTED] 25X1

[REDACTED] 25X1

Libya

Libya, too, may be on the verge of closer military relations with Egypt. A Libyan mission headed by the defense minister arrived in Egypt at the end of January. It is believed that the mission is attempting to obtain military equipment, including "prestige" weapons such as tanks. While the Libyan Government is attempting to obtain increased American aid, it is also "studying" long-standing Soviet aid proposals. A Soviet delegation is now in Libya in connection with a gift of two fully equipped hospitals.

Kuwait

Chances are growing that Kuwait, the Middle East's largest oil producer, will soon join the Egyptian-dominated Arab League.

[REDACTED] 25X1

Despite Saud's bid to regain prestige lost to Faysal during last year's government crisis by improving relations with Egypt, the King must continue to regard Nasir's revolutionary regime with deep suspicion. Increased Egyptian influence in the Saudi armed forces is likely to increase the ultimate danger of subversion in

[REDACTED] Kuwait, which last year received about \$370,000,000 in oil revenues, may also contribute heavily to the new Cairo-oriented Arab Development Bank in another effort to ensure against radical nationalist agitation. [REDACTED] 25X1

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CZECH REGIME FACES OPPOSITION TO 1959 PLANS

Initial moves by the Czech regime to raise work norms, cut bonuses, and increase worker discipline have led to general discontent and to some minor disturbances. In carrying out these reforms, the regime will probably proceed with caution in order not to arouse the usually passive Czechs.

The introduction of a wage reform plan to be applied during the next two years is the most unpopular step affecting industrial labor since the currency revaluation in 1953. The regime hopes the plan will increase production and cut costs; the workers see it as a scheme either to raise their work norms without compensation or to cut their wages.

Farmers are faced with the virtual completion of collectivization, threats to eliminate the private plots and cattle holdings of collective members, and a reduction of wages. Although most Czech farmers have capitulated to forced collectivization, the regime has not been able to compel them to work harder or to cooperate in increasing production, and there will probably be a rural tug of war in the years ahead.

There have been various other indications of a hardening attitude on the part of the regime: (1) a scheme has been developed to hold workers financially liable for losses caused by negligence, theft, or failure

to fulfill the plan; (2) essentially political crimes are being punished with more severity than in the past two years; (3) last year's purge within the bureaucracy is to be extended to the factories in 1959; (4) remaining private professional practice is being abolished; and (5) the cultural field will be given greater attention, with the movies, radio, TV, and theater being forced to increase the political content of their productions.

The party feels that Czechoslovakia must stay ahead of its neighbors because of its relatively more advanced industrial economy, and that it must become living proof of the success Communism can bring to an industrial state. Party leaders take particular pride in having avoided the revisionist heresies which bred upheavals and impeded progress in other Communist countries.

These factors enable Czechoslovakia to bear the greater economic burden assigned to it by CEMA and to move forward more rapidly than its neighbors, who are plagued with economic problems, more hostile populations, and less cohesive leadership. Nevertheless, a slackening of pace might be required if the party has overestimated the apathy of the populace and if the local demonstrations of popular irritation occur this year, as the American Embassy in Prague foresees.

25X1

NUCLEAR TEST TALKS

The Soviet delegation at the nuclear test-cessation talks in Geneva on 30 January introduced a draft article on the key question of voting proce-

dures in the control commission.

The Soviet delegation had promised that, when the Western

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delegations presented their article on duration of the treaty, it would introduce a list of subjects on which Moscow feels decisions must be unanimous among the three nuclear powers. Presentation of this list before the West introduced its duration article was apparently designed both to strengthen Moscow's charge that the United States and Britain are blocking agreement by withholding their "long-promised" draft and also to support Moscow's campaign to impress public opinion with its serious negotiating posture. Moscow probably now hopes to focus debate on the question of duration of a test cessation, which it believes is the most vulnerable point in the Western position.

The Soviet article would make decisions on specified matters subject to the affirmative vote of not less than four members of the seven-man control commission, including "the initial parties to the treaty--the USSR, the United States, and the United Kingdom."

The matters listed were: revisions of the treaty; appointment and definition of the powers of the administrator; recruitment of higher level personnel; dispatching of an inspection group for an on-the-spot investigation, and action based on such investigation; revision of observation methods; determination of locations of control posts and of aircraft flight routes; and budgetary, financial, administrative and logistic questions. On 2 February Soviet delegate Tsarapkin, defending this veto-power provision, warned that Western insistence on any other approach to the voting question could cause the collapse of the negotiations.

Tsarapkin on 3 February repeated familiar arguments in defense of the veto right. He accused the West of putting forth proposals designed to allow frequent unjustified inspections in the USSR for purposes of espionage. He argued that the power of the control commission to accuse a party of treaty violation could be abused, leading to a breakdown of the treaty itself and to increased international tension. He said "there can be no agreement" not founded on unanimity of the three original parties, since the control organization would be "stillborn" if not based on the principle of "cooperation."

This warning of a possible breakdown on this issue contrasts with Tsarapkin's protestations in an informal talk with the Western delegates on 28 January that he and his government neither desire nor intend a break-off. The Soviet delegate's unusual action on 30 January summarizing the USSR's over-all position at the talks, however, suggests that he may have been preparing for a showdown.

In an apparent attempt to preserve the impression that Moscow is still anxious to negotiate an agreement, however, Tsarapkin accepted a British proposal for a working group on the technical aspects of control post staffing. Although, in the first meeting on 2 February, the Soviet representative attempted repeatedly to induce the British and American negotiators to admit the validity of the USSR's concern over the threat to its national security posed by international staffing, for the most part he confined his remarks to technical questions on the functions and qualifications of the control post staffs.

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The fact that Moscow's firm stand against the concept of truly international staffing has not changed was reaffirmed in plenary session later the same day when Tsarapkin introduced a "chart" on staffing of a typical control post, the activities of which would be closely controlled by the host country.

Khrushchev in his final speech to the party congress on 5 February reaffirmed the USSR's desire for agreement and charged that the United States and Brit-

ain were out to prevent such agreement by putting forth unacceptable proposals which would provide for a "full-scale intelligence network." He warned that "we shall never agree" to allowing the Western powers, under cover of control, to violate the sovereignty of the USSR. He drew a comparison between the surprise-attack talks and the present negotiations, charging that just as in the former they hindered any solution of the problem, in the latter they apparently intend to "drag things out" while they prepare public opinion for a disruption of negotiations. 25X1

(Concurred in by OSI)

25X1

ITALIAN CABINET CRISIS CONTINUES

Italian Premier Fanfani's rejection of President Gronchi's request to continue as premier suggests that Fanfani intends to press his advantage in the hope of an overwhelming victory over his right-wing opponents at the Christian Democratic party's April congress or at the polls. While many of the deputies will be reluctant to face early national elections, Gronchi may decide to dissolve the chamber if no viable successor government seems likely by spring.

Fanfani is in a strong position as a result of Gronchi's request and his own refusal of it and he can afford to sit back and let a series of frustrated tries prove that a government without him cannot be formed or would be unable to operate effectively. The snipers in his own party, who voted against him in secret parliamentary ballots, will now be obliged to get in line or face new elections, in which they would probably lose some votes.

Although the right-wing Christian Democrats have suc-

ceeded in forcing Fanfani out of the government and out of the secretaryship of the party, they face the threat that a Fanfani victory at the April congress would increase the possibility of a rapprochement between their party and the Nenni Socialists.

In view of the fact that no deputy is anxious to take a chance on being voted out of office, especially less than a year since elections were last held, the restive elements on both extremes of the Christian Democratic - Democratic Socialist coalition may now be more inclined to reconcile their differences in order to avoid early dissolution.

Giuseppe Saragat and his right-wing Democratic Socialists are aware that elections held soon would be likely to lose them some support to Nenni. Left-wing Democratic Socialists, who are meeting on 8 February to discuss joining Nenni, know that elections would give them a decreased power position in his party. 25X1

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GROWING OPPOSITION TO SALAZAR REGIME IN PORTUGAL

Both civilian and military supporters of the Salazar regime in Portugal have come to believe that the long-time prime minister has outlived his usefulness and should yield his office to a man more attuned to the times. Church-state relations have become cool, and the military for the first time is apparently less dedicated to Salazar's absolute control.

There are persistent rumors in northern Portugal that military elements are about to stage a coup and force Salazar into retirement. A considerable number of army officers, mostly of junior grade, are said to be disgruntled over the regime's promotion policy. They were repelled by the severity with which the regime suppressed opposition demonstrations in May 1958 when General Humberto Delgado was making his bid for the presidency.

The escape from a Lisbon hospital on 15 January of ex-army captain Henrique Galvao, long-time opposition leader and former parliamentary deputy and inspector of colonies, has

aroused the concern of top government officials who regard him as a dangerous threat to the regime. Galvao, who is still at large, is said to retain the respect of many military officers and intellectuals. In addition, a large segment of the public regards him as a martyr because of his courage in sharply criticizing the government's domestic and colonial policies. This action led to his imprisonment in 1958 on charges of antigovernment plotting.

Galvao is a close friend of Delgado, who obtained asylum on 12 January in the Brazilian Embassy in Lisbon to avoid arrest. Should Galvao succeed in organizing dissatisfied elements of the military into a strong, cohesive group, a coup might result.

25X1

NEW AFGHAN-SOVIET ASSISTANCE AGREEMENTS

The Afghan Government, in an apparent move to strengthen its position toward what it considers a more hostile regime in Pakistan, has recently concluded several aid agreements with the USSR.

Several of the new agreements are probably intended by Moscow to undercut existing American assistance programs in Afghanistan. For the first time, Moscow has granted Kabul 40,000 tons of wheat--a type of aid previously given Afghanistan only by the United States. Moscow has also promised Kabul improved conditions for goods transiting the USSR, probably to counter the increasingly smooth flow of goods between Kabul and Karachi under the

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ICA-financed Afghan-Pakistani transit agreement concluded in June 1958. In addition, Kabul has accepted the first Soviet adviser to work in the Ministry of Education, although in the past this sensitive ministry has depended mainly on the United States for advisory assistance.

Some of the agreements expand the present Soviet programs of aid to Afghanistan. While Kabul previously had sent only 50 to 70 senior officers to the USSR, apparently fearing Communist indoctrination, it now seems willing to take greater risks in order to step up its military preparedness program. 25X1

PAKISTAN PRESSES REFORM PROGRAM

Three months after General Ayub Khan's take-over as President of Pakistan, the new government's program of economic and social reform is beginning to be implemented, and the military regime appears to be making a determined effort to expedite its plans. Ayub is giving strong support to the minister of finance in his effort to rehabilitate the economy, although chronic economic pressures have not yet been significantly relieved.

The program of land reform for West Pakistan, which Ayub and his colleagues regard as the keystone of their effort to put Pakistan on a sound basis, was announced on 24 January. The plan as announced seems to be a modification of the regime's original targets, prompted perhaps by a concern to avoid seriously disrupting agricultural production and overantagonizing the landowning class.

Landlords are likely to continue their attempts to obstruct the reforms, but the relatively small number of large landholders and the government's apparent firmness make it unlikely their opposition will be effective. The many practical problems involved in altering the traditional pattern of rural society may, however, cause considerable delays in implementation.

Once under way, the land-reform program could lay the basis for a more productive system of agriculture by providing several million acres for distribution to the peasants and by eliminating small, uneconomic holdings. It should also increase the government's popular support.

Karachi continues to press forward with other economic and social measures as well. New steps have been taken in the fields of refugee rehabilitation, law, and education. A number of measures to improve the government's financial position have been initiated under Finance Minister Shoaib's direction. Ayub's support for Shoaib's program of austerity was also graphically illustrated in late January by a cabinet decision to scrap the light cruiser Babur, Pakistan's largest warship, and to reject a navy proposal to purchase submarines. This action caused the resignation of the navy's commander in chief.

Ayub stated on 15 January that the purpose of the reforms was to prepare the country for a "representative form of government to come in and flourish." He made it clear, however, that the transition would take a "couple of years" and that any new constitution must "not admit of political instability."

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THAILAND

An interim constitution for Thailand was promulgated by the King on 28 January, slightly more than three months after Marshal Sarit dissolved the National Assembly and abrogated the previous constitution. The interim constitution, which is expected to be in force for at least a year, provides for a strong executive and a constituent assembly.

The King has already appointed the Assembly. It is predominantly military in make-up, but with a sprinkling of civilian politicians. None of its 240 members may serve in the cabinet. It is anticipated that the actual drafting of a permanent constitution will be done by a small group of legal experts, with the constituent assembly permitted only to pass on the constitution's suitability as a whole for submission to the King.

The interim constitution gives the prime minister and his council of ministers sweeping emergency powers which would enable them to rule by decree without reference to the constituent assembly should the prime minister deem it necessary. The document thus seems to enable Sarit and his Revolutionary party to operate essen-

tially as they have during the period when Thailand was without a constitution--but with an air of legitimacy.

The prime minister and the council of ministers have yet to be appointed. It has been almost universally anticipated that Sarit himself would assume the prime ministership.

Sarit's uncertain health, however, will continue to be the major cause of uncertainty in the Thai political situation. His recent relapse, requiring emergency treatment, raised doubts that he could long continue active as leader of the coup group, and his effectiveness in this role has declined greatly over the past two months. Should Sarit be forced to abdicate his position, he is expected to be succeeded initially by General Thanom, his deputy in the ruling military group and a former premier, with former Interior Minister Prapat exercising a strong influence as the number-two man under Thanom. Other leaders in the ruling group profess to accept this tacit arrangement but might be sorely tempted to challenge Thanom's succession when the actual moment for its realization arrives.

25X1

25X1

INDONESIAN GOVERNMENT REORGANIZATION PLANNED

President Sukarno and the Indonesian cabinet are reported to have agreed on a reorganization of the government structure which would strengthen executive powers and have as a major purpose the reduction of Communist parliamentary strength.

Sukarno, according to Prime Minister Djuanda, won unanimous

cabinet consent on 26 January for a return to the "1945 constitution," a highly flexible document under which the Indonesian Republic first operated during the four-year revolt against the Dutch. It provides for a strong executive and leaves most government structure to be defined by law.

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The Constituent Assembly, elected in December 1955 to write a new constitution has made almost no progress. Sukarno plans to appear before it in two months to request blanket adoption of the 1945 document. He has also proposed a legislative body, one half of which would be elected and the other, composed of appointed "functional" representatives drawn from such groups as the army, labor, youths, and veterans.

Prospective appointees would be nominated by the groups themselves and then screened, presumably by the army-controlled National Front; Sukarno would make the final decision on appointments. Prime Minister Djuanda views the screening process for appointive members as a device to limit Communist influence in Parliament and believes further postponement of general elections beyond 1960 would then be unnecessary.

Although Sukarno has the strong support of the army in this approach to "guided democ-

racy," the political parties--including the Communists--oppose the plan for appointed representatives. They have reluctantly agreed to permit one third of Parliament to be appointed--a compromise which Sukarno has so far refused. The Communists, who earlier took a strong opposing position, now are attempting to make the two leading non-Communist parties--the National party and the Nahdlatul Ulama--bear the onus of opposition to Sukarno. The Communists continue to single out the army for criticism, however, having stated that army representatives should not be appointed to parliament but "elected as anyone else would be."

Should the parties continue adamant, Sukarno may press only for the 1945 constitution, over which there appears to be little or no controversy. Without provisions for the proposed parliament, however, the army would probably consider postponement of the 1960 national elections necessary to avoid decisive Communist gains.

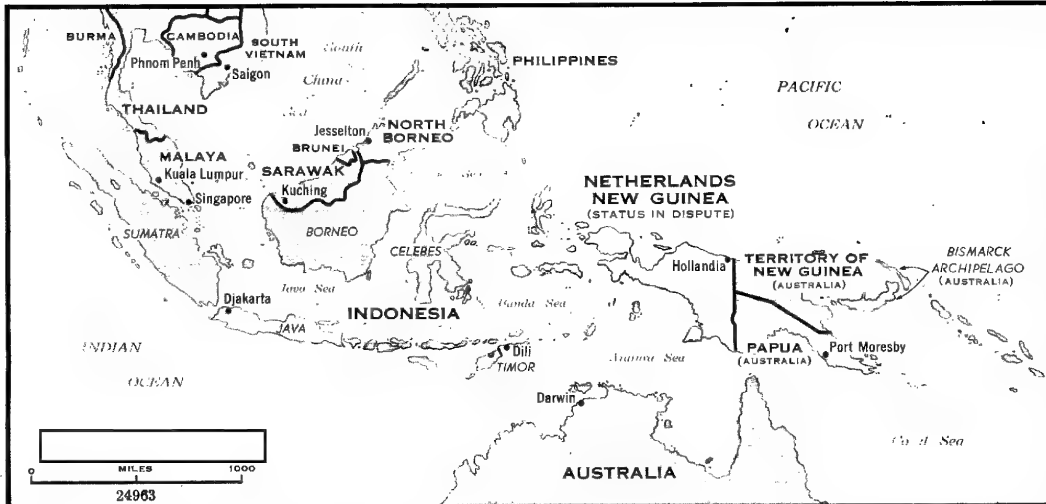
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NETHERLANDS POLICY ON WEST NEW GUINEA

Mounting concern in The Hague over the possibility of an Indonesian attack on West New Guinea is reflected in Foreign Minister Luns' talks with Foreign Secretary Lloyd in London from 25 to 27 January. At the moment, the Dutch are primarily endeavoring to obtain new assurances of Western support. If such support is not forthcoming, the government may for the first time give serious consideration to some means of transferring responsibility for New Guinea, possibly to the United Nations.

Several factors have increased the pressure on Luns for some move to strengthen the Netherlands' position in the area. Queen Juliana, the cabinet, and the military chiefs of staff are all concerned about foreign arms shipments to Indonesia and the consequent need for Dutch reinforcements in New Guinea. The rapidly mounting administrative expenses in the territory--which over-all is a financial drain on the treasury--have convinced the government it cannot afford an adequate defense build-up without assurances

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of outside assistance, especially since Australian support for the Dutch position has recently been less firm than had been hoped.

Luns apparently succeeded in impressing Foreign Secretary Lloyd of the seriousness with which the Dutch view an Indonesian attack, although the British do not agree that one is imminent. Revised British estimates of the situation, however, do suggest the likelihood of some kind of small-scale invasion or infiltration which could possibly lead to UN consideration of the problem. Assured of general British support, Luns has asked the United States for further "demonstrations" of friendliness to the Dutch and has served notice he will press in the North Atlantic Council his position that NATO countries unable to influence Indonesia effectively

should agree not to furnish it with arms.

The increased vigor of the Dutch approaches has led Ambassador Young at The Hague to believe that the government may be approaching a crossroad in its New Guinea policy. If Western support seems inadequate, the Dutch may become increasingly interested in exploring such alternatives as placing West New Guinea under a UN trusteeship or a condominium of the Netherlands, Australia, and the United States. Recent public opinion polls in the Netherlands, however, show only minimal support for such proposals, and their ultimate acceptability will depend in part on the outcome of the 12 March elections. Such a change in policy, moreover, would necessitate amendment of the Netherlands' constitution by a two-thirds parliamentary vote.

25X1

TAIWAN STRAIT SITUATION

Admiral Liang Hsu-chao, commander in chief of the Chinese Nationalist Navy, informed

American officials on 30 January that he had received orders from the Nationalist Ministry

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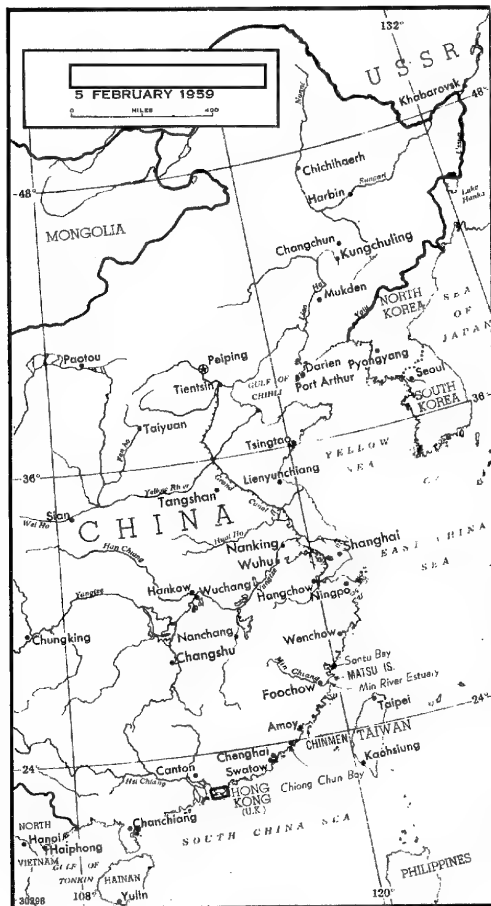
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of Defense to intercept Chinese Communist shipping in the Taiwan Strait from just north of Matsu to just south of Chinmen. A Nationalist patrol escort and a subchaser patrolling in the vicinity of Chiang Chun Bay on 1 February fired on a Chinese Communist vessel about 40 nautical miles southwest of Chinmen,

and out of the Min River estuary near the Matsus, but these operations were discontinued shortly after the crisis began last August.

Possibly in retaliation for Nationalist harassment, Chinese Communist gunboats intercepted a Nationalist naval unit



and a Nationalist force consisting of two subchasers and a patrol escort now is patrolling in the Matsu area.

Naval harassment has been employed by the Nationalists in the past, particularly against Communist small craft moving in

The Communists are continuing amphibious exercises near the Chinmens

and the Nationalists possibly have resumed firing at Communist surface units for the first time since August 1958.

Artillery exchanges involving the offshore islands have been light, with a large percentage of propaganda leaflet shells being fired from the mainland. The Communists have held a number of artillery training exercises near the Chinmens and appear to be strengthening their artillery positions.

Peiping's military activity in the Taiwan Strait appears designed to complement its political aim of dividing the United States and Nationalist China and to prevent de facto acceptance of "two Chinas." In light of this policy, Peiping may view the increased aggressiveness of Nationalist patrol craft as Taipei's effort to solicit greater American concern and commitment through provocation of violent Communist reactions. There is little to indicate that Nationalist naval action will precipitate major offensive action, although the Communists might react with another "punitive" bombardment of Chinmen and provide coastal shipping with naval and air escorts.

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THREATS TO HAITIAN GOVERNMENT

The government of Haitian President Francois Duvalier, faced with a deteriorating economic and political position at home, is also threatened by an invasion of opposition exiles who have been seeking material aid in nearby Cuba. Tensions are high in Haiti, and disorders, which are probable, could spark widespread bloodshed.

With disaffection mounting rapidly among government employees, the urban population in-



DUVALIER

creasingly restive as a result of a long economic crisis, and the army at least passively opposed to him, Duvalier can rely only on his personal civilian militia for support. The extreme repressive measures em-

ployed by the militia and the drastic purges of the army have not enabled him to consolidate his 15-month-old regime.

Duvalier's efforts since early January to give the government an aura of democracy appear likewise doomed to failure. On 8 January he pardoned a number of political prisoners and exiles, but leading exiles still are unwilling to risk returning to the country. On 30 January Duvalier allowed expiration of the state of siege under which he had ruled by decree since last July, but on the same day an increase in terroristic activity by the militia was noted in Port-au-Prince. Many Haitians are convinced the government will soon collapse.

Louis Dejoie, leading opposition exile who arrived in Cuba a few weeks ago seeking aid for an invasion of Haiti, began broadcasts from a Cuban radio station on 30 January telling Haitians that their "liberation" is near. Leaders of Fidel Castro's 26 of July Movement in Cuba are probably inclined to assist Dejoie, since a friendly regime in Haiti would aid them in ousting Generalissimo Trujillo of the Dominican Republic--prime target in Castro's "crusade against dictatorships." Trujillo, aware of the threat, may at some point consider intervening in Haiti in self-defense.

25X1

CUBAN PROVISIONAL GOVERNMENT FACES CRITICAL PROBLEMS

The end of the seven-year Batista dictatorship has presented the new provisional government of Cuba with many critical problems which must be solved

quickly if the country is to regain its economic and political equilibrium. In four weeks the cabinet named by Provisional President Urrutia composed almost

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equally of competent specialists and inexperienced revolutionaries--has had to reorganize the government almost completely. Governmental efficiency has been seriously impaired in the process. Many groups, particularly organized labor, are taking advantage of the unstable situation to press unreasonable demands, and general unrest seems to be increasing.

One of the chief difficulties is Urrutia's apparent inability to make firm decisions without consulting Fidel Castro. While Castro holds no formal policy-making role in the government, he nevertheless has made repeated policy pronouncements in his frequent speeches to an enthusiastic public without coordinating with the cabinet. This has led capable cabinet members, including Prime Minister Miro Cardona, to threaten to resign.

Major problems at the moment are increasing unemployment and a wave of labor disputes in the important sugar, railway, electric, mining, and other in-

dustries. Twenty-one sugar mills have been idled just as the sugar crop is ready for harvesting and processing. The provisional government, aware that an economic breakdown could result, has attempted to forbid strikes in the sugar industry--on which 75 percent of Cuba's economy is based--during the harvest.

However, the inexperienced labor minister and the new head of the Cuban Workers' Federation, who are trying to reorganize the labor movement which had been weakened by the complete subservience of its leaders to Batista, have not been able to curtail the increasing demands of the workers. These have undoubtedly been influenced by Communists determined to regain the dominant influence they had in the labor movement immediately after World War II.

Responsible Cubans hope that Castro will soon begin exercising his power with restraint and delegating authority to competent officials.

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PART III

PATTERNS AND PERSPECTIVES

COMMUNIST TACTICS AGAINST WEST BERLIN

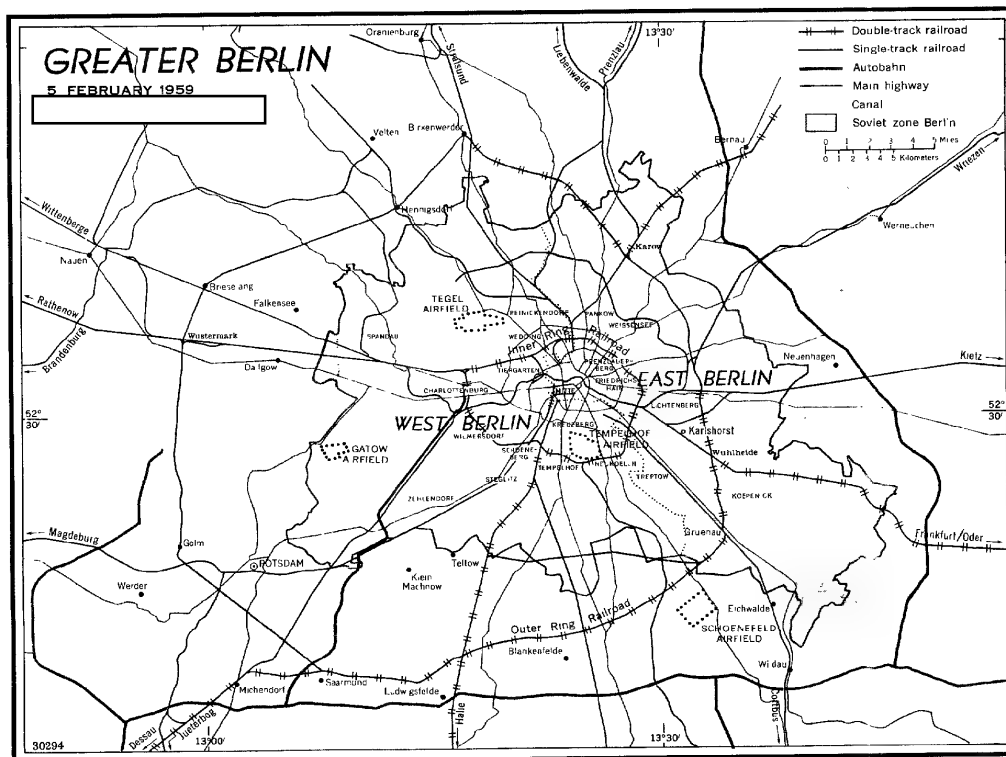
The vulnerabilities inherent in West Berlin's isolated position and dependence on Western aid and protection will be exploited by the Communists in their long-term campaign designed to weaken Western determination to maintain Allied rights in West Berlin, force the West to deal with East Germany, exclude Western influences from the city, and undercut its political and economic strength. The Communists hope to undermine the will of the population to resist and thus bring West Berlin under complete Communist control, either as a "free city" or in some other manner.

Character of Communist Threat

Berlin is a trump card in Moscow's strategy to gain recognition for East Germany. In its

note of 27 November 1958 to the Western Allies, the Kremlin asserted that "the most correct and natural solution" to the Berlin problem would be to unify the city and incorporate it into East Germany. As a "concession," however, the Soviet Union offered to underwrite the creation of a demilitarized "free city" of West Berlin from which all Western "subversive" activities would be eliminated.

Moscow asserted its intention of turning over to the East Germans those remaining occupation functions it now exercises, if its proposals should be unacceptable to the Western powers. The USSR added, however, that no changes would be made in present controls over Allied military transport for six months

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provided the Western governments did not seek "complications."

During this period the Kremlin can try to exploit divergent Western estimates of the importance of maintaining a position in West Berlin by force and of continuing to refuse recognition to East Germany, and continue its war of nerves against West Berlin citizens.

Allied Military Position

The Allied garrison in West Berlin consists of only 6,626 combat troops and some 2,500 service personnel; there are also some 14,000 West German police there. In East Berlin, on the other hand--apart from Soviet personnel attached to the Kommandatura at Karlshorst--there is an East German force of some 18,000 security police of various types, backed by a 10,000-man workers' militia. Within ten miles of the city there are some 30,000 Soviet and 16,000 East German soldiers, as well as 6,450 security police.

Allied military forces in West Berlin are almost completely dependent on external sources of supply. Their line of communications extends across East German territory and is subject to Communist interference at any time.

Moscow has already made certain moves toward turning over access control to East German authorities and appears to have actually transferred

its function of dealing with Allied personnel in East Berlin. It is also preparing to move its Berlin Kommandatura from Karlshorst to some nearby point outside the city. East German personnel have appeared alongside Soviet officials checking Allied documentation at the railroad and highway checkpoints and others are reportedly being trained to take over access



control duties. When controls are turned over, the East Germans may be phased into their new duties in order to test Western determination at each stage of the transfer.

Interference with Allied surface and air access need not be overt. Railroad access is particularly vulnerable, since all rail facilities are East German and all locomotives and train crews of Allied military

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trains are supplied by the Ulbricht regime. There are many means of harassment, some outwardly minuscule but nonetheless effective, that could interfere with access but which would not lend themselves to effective Western retaliation or protest.

East Germany has already challenged the Allied right to use the air corridors and is likely to reiterate its demands for control. Without resorting to direct use of force, the Communists could make Allied flights to Berlin a hazardous proposition by means of electronic interference or by crowding the air corridors with planes.

Harassment of Civilian Supply

West German traffic has been highly vulnerable to harassment, and Bonn has heretofore been reluctant to resort to reprisals. West Berlin is almost entirely dependent on Western sources of supply for its population of 2,200,000 and for its booming industry. In 1957 approximately 39 percent of freight from the West to the city, including 65 percent of its foodstuffs, was carried by truck, mainly on the Helmstedt autobahn; 61 percent of outgoing freight went by truck. Railroads carried approximately 34 percent of incoming shipments and hauled out some 15 percent, while canal barges accounted for a corresponding 26 and 23 percent. Only a small proportion of West Berlin's supplies come from East Germany, notably brown-coal briquettes for heating, some construction materials, and certain perishable foodstuffs.

Civilian travelers and freight move along the autobahn and three other designated highways. The Berlin-Helmstedt railroad line carries the greatest number of passengers and the

bulk of the freight transported by rail. Barges move through the Mittelland Canal and Havel River system or via the Elbe-Havel route.

Civilian traffic, other than by air, is completely under East German control. West German nationals en route to or from Berlin must present passports or identity cards but have not yet been required to obtain visas. West Berliners show their identity cards.

Civilian traffic could be subjected to a large variety of harassments, including physical interference, delays, taxation, or requirements for more documents. Generally, there would be nothing the West could do to prevent these harassments or to retaliate in an effective way. West German economic sanctions could be used but would not be sufficient to stop a determined Communist initiative.

Civilian Air Access

Three Western civil airlines (Pan American, British European Airways, and Air France) use the air corridors under safety guarantees from the Berlin Air Safety Center (BASC), with West Berlin's Tempelhof airport serving as the terminal. East Germany has already claimed that such aircraft have no right to fly through the corridors without its permission and have charged that they often carry illegal goods. If the Kremlin remove its representatives from the BASC, these airlines would have to operate without air safety guarantees or deal directly with the East Germans, which would mean further demands such as the right to inspect manifests.

East German interference with civilian flights to West Berlin would be designed, among other objectives, to put an end to the transportation of refugees,

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a long-sought objective. Such a step would seriously interfere with the use of West Berlin as an asylum for East Germans. More than half of all refugees from East Germany make their escape through Berlin. The percentage rose to 64 percent during June, July, and August 1958.

Harassment of West Berlin

Current Soviet tactics in the war of nerves against West Berlin have emphasized a "soft" approach, advertising the prospect of closer and "more natural" economic relations with East Germany. The USSR and East Germany have declared they are ready to place orders for industrial goods with the city's enterprises and undertake deliveries of raw materials and foodstuffs. These orders would be designed to lay the groundwork for West Berlin's eventual economic assimilation.

The Communists could stop the shipment of East German goods to West Berlin, although this measure alone would have only a limited effect.

In connection with the West Berlin election of 7 December, in which the Communists received less than 2 percent of the vote, East Germans threatened certain West Berliners with reprisals if they did not support the Socialist Unity (Communist) party's electoral campaign. German employees of Allied missions were warned they would be blacklisted or worse if East Germany took over the whole city.

The East Germans have already taken steps to separate their transport system from West Berlin's and to eliminate their remaining dependence on transportation facilities in the Western sectors. The Communist ability to harass transportation to and within West

Berlin will increase as improvements are made in the railroad and canal bypass rings.

Measures to isolate West Berlin from the transport nets, although they would entail adverse economic consequences for East Germany, would be designed to limit travel from East Germany to the Western sectors, thereby sharply restricting the flight of refugees, and making it more difficult for the weary East Germans to view the West's "show window." East German authorities have already instituted measures to bar access and, if internal tensions increase, further controls are likely to be imposed. Restrictions are being put into effect to halt East German attendance at the "Green Week" agricultural fair in West Berlin, which in the past has been attended by more than 100,000 of Ulbricht's subjects.

It would be extremely difficult for the East Germans to seal off the Western sectors completely. The border passes through streets, squares, woodlands, fields, and lakes, and along canals. There are also several Western enclaves in East Zone territory. The East German police, border guards, and workers' militiamen could be posted at strategic points, but it would be impossible to seal the dividing line effectively. Instead, the Communists are likely to continue their tactics of intimidation, infiltration, and harassment.

Western Retaliation

The West has limited capability, short of force, to prevent continued Communist encroachments. There are no longer opportunities to retaliate against East German traffic passing through West Berlin. West Berlin must count on the Federal Republic for support, and Bonn has been highly

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reluctant to take steps necessary to deter Communist harassment. Apart from cutting off steel and coke shipments, these steps could include severing East German shipments through Hamburg--a step which would arouse vigorous resistance from West German business circles.

American officials in Berlin report a "steadfast" public confidence in the Western powers, particularly the United States. Recalling their 1948 experiences, Berliners feel that a firm Western reaction will be sufficient to cause Moscow to reconsider any blockade plans.

[redacted] while

in 1948 Berliners had little to lose, the years of prosperity since the 1948-49 blockade may have impaired the public will to withstand a long period of sacrifice. Some indications of nervousness have been revealed in West Berlin business circles, and there has been some movement of valuables and belongings out of West Berlin.

As this uncertainty concerning the future continues, the economic situation in West Berlin is likely to show progressive deterioration. Any substantial decline in orders for West Berlin firms would result in an increase in unemployment and a weakening of the West Berlin economy. [redacted]

(Concurred in by ORR)
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DE GAULLE MOVES TO MODERNIZE FRANCE

To help transform France into a state suited to his concepts of "national grandeur" and great-power status, President de Gaulle issued a flood of decrees under his special powers during the last weeks of his transitional government. The new decrees emphasize the streamlining and updating of economic, social, and administrative procedures and the substitution of regional for local planning. They affect all aspects of French life and strike at the network of vested interests and overlapping authority which have long caused the rigidity and stagnation crippling France's potential.

Basic reforms were long overdue in France. With the extensive modernization of physical plants since World War II and the reversal of the long decline in population growth, traditional ways of organizing economic and social as well as political life have been increasingly recognized as major obstacles to France's adaptation

to the modern world. The nearest approach to an institutional new deal was offered in 1954-55 by Pierre Mendes-France and his "brain trust" of young economists and administrators who sought consciously to "kick France into the 20th century." Although Mendes-France and his successors were usually granted special powers permitting decree legislation in major economic and social spheres, their reforms were subject to review by the National Assembly.

De Gaulle took advantage of his special powers and the parliamentary hiatus to order reforms, including an "austerity program" to which there is considerable public opposition. This avoided item-by-item debate and political compromise, and permits the new National Assembly elected last November to the Fifth French Republic to be unhampered, at the outset at least, by a backlog of the controversial domestic issues which inevitably bogged down its predecessors. Early settlement of

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the Algerian problem would appear to be a prerequisite for full implementation of the reforms, especially where new expenditures and modernization of the armed forces are involved.

Economic Program

The most important facets of the government's program are the economic and financial measures designed to end France's recent history of "inflation at home and begging abroad." The franc was devaluated by 17 percent on 27 December, when France joined most other Western European countries in liberalizing foreign exchange controls.

Subsidies on numerous agricultural products were eliminated; drastically reduced; controlled prices on basic items such as bread, milk, wine, and coal were increased; and nationalized industries and services such as coal mining, transportation, and communications were ordered to raise their charges to eliminate deficits. Taxes on agricultural and industrial profits were increased, and a new scale based on "visible signs of wealth" was introduced in an attempt to make it more difficult to evade the personal income tax.

Many of the extensive social benefits formerly provided almost all French citizens have been made more selective. Veterans' pensions, family allotments, and medical insurance payments have all been cut back, while employee contributions to the social security program have been increased and farmers now contribute. The minimum wage has been raised in view of an anticipated 4- to 8-percent rise in the cost of living, but the "escalator clause" in wage contracts has been abolished. Business firms are to be encouraged to institute profit-sharing or stock-ownership programs for their employees, with the recent management-labor agreement in the nationalized

Renault automobile plants as a pilot model.

Administrative, Judicial Reforms

The morass of laws accumulated over generations to regulate such diverse matters as hospital and prison standards, child adoption procedures, and traffic laws has been consolidated and modernized. The structure of the court system has been drastically revised, beginning with the elimination of the office of justice of the peace, a position of political influence usually filled by local party leaders. Regional appeals courts are given broader competence, specialized courts--such as those limited to commercial matters--are reduced in number, and juvenile courts are to be created. A new National Center for Juridical studies will train career magistrates.

The wasteful food and wine markets--particularly Les Halles in Paris--are to be moved and modernized and regional distribution centers set up to break the Paris bottleneck. Public transportation facilities are to be coordinated and regional transit authorities established. Administration has been decentralized and simplified, and departments or communes can be grouped into regional or urban districts respectively where public service programs appear to warrant it.

Education and Housing

The traditional emphasis on classical studies at the expense of technical training will be modified. Compulsory schooling will be prolonged and diversified, and the baccalaureate certificate, which has been the entree into "white-collar" careers, is to be revised and its standards changed to permit more students to qualify. Secondary and technical training facilities will be increased in provincial towns, and several new specialized institutes will be organized.

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Credit cutbacks in force elsewhere in the economy are set aside in the field of housing, one of France's most serious problems. New funds have been allocated for loans and subsidies for housing construction and the acquisition of new building sites. Other decrees offer incentives for making improvements and repairs.

Military Reorganization

Sweeping changes in the military establishment have abolished the Ministry of National Defense and created a Committee of National Defense directly under the President. This committee, basically similar in composition to the National Security Council in the United States, now is responsible for all aspects of defense--including military, diplomatic, scientific, and financial planning and internal security--for the French Community.

Purely military aspects of defense policy are placed under a separate Defense Committee reporting to the President and the premier. This committee includes the chief of staff of national defense--the post to which General Paul Ely, chief of the Armed Forces Staff, has just been appointed--and the chiefs of staff for each service.

A declaration of "national emergency" by the cabinet, even if the emergency concerns only internal conflicts, will be sufficient to permit "total mobilization." There appears to be no limit except self-restraint to the measures the executive can take in such a case; these could legally involve wholesale requisitioning of private property and drafting of all men either into the armed forces or into civil defense units under military discipline. Should communications with Paris be cut off, regional superprefects or military zone com-

manders could assume broad governmental authority.

Impact of the Decrees

Virtually every French citizen will be affected by the changes made by the new laws, but thus far the number and the revolutionary scope of the decrees appear to have overwhelmed the public and limited its reaction. Mild protests have come from political organizations representing farm and labor groups, but except for the Socialist party's withdrawal from participation in the government, there have been no serious manifestations of discontent to date.

Many of the decrees show signs of very hasty drafting, and will require extensive amplification and revision in detail. The extent to which they will be effectively applied may not be clear for some time, but it is certain that inertia and conflicting interests will tend to sabotage much of the program. Moreover, the impact of the decree laws on traditional relations between the voters and their parliamentary representatives cannot be accurately gauged because of the extent to which the 1958 constitution reduces the influence of the political parties.

Regardless of whether France attains the great-power status to which De Gaulle aspires, he has prepared the framework for a modern efficient state. The Algerian impasse is the major stumbling block. With most controversial domestic issues either removed from the competence of Parliament or settled by the recent decree laws, De Gaulle may hope to channel the new government's energies to matters related to foreign policy and "national grandeur." It is doubtful, however, that Parliament will long be content to have the major decision remain outside its competence.

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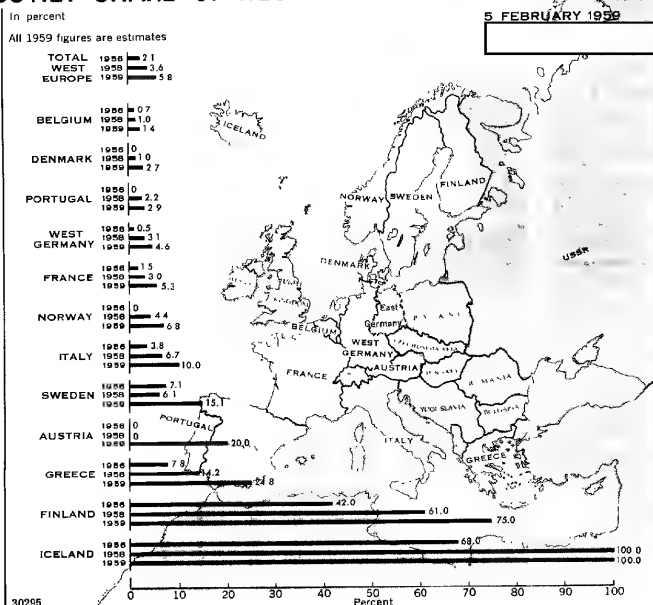
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SOVIET PENETRATION OF THE WEST EUROPEAN OIL MARKET

The USSR has expanded its oil exports to Western Europe from less than 100,000 tons in 1950 to 5,300,000 tons in 1958--about 4 percent of demand--largely in direct competition with Western oil companies. The Soviet Union is using its bilateral trade agreements to pressure Western European governments by threatening to reduce its purchases unless they consent to increased imports of Soviet oil.

total market to only 10 percent. It is estimated that the USSR will have 20-30,000,000 tons from domestic production available for export to the free world in 1965. If all this oil were sold in Western Europe, it would be about 10 to 13 percent of the anticipated demand at that time. The Soviet Union, however, probably will continue its sales elsewhere in the free world, thus limiting oil availability for Western Europe in 1965 to no

SOVIET SHARE OF WEST EUROPEAN OIL MARKET

The major short-range factor limiting the expansion of Soviet sales in Western Europe is the availability of oil. It is estimated that by 1956 the USSR's exportable surplus available for sale in the free world will be about three times the 9,000,000 tons sold in 1958. It is possible, however, that the USSR may be able to augment its own oil supply, and therefore its sales to Western Europe through exploitation of current agreements to assist Middle East governments in oil exploration and development.

Limitations and Capabilities

While the USSR can substantially increase its oil exports to Western Europe by 1965, it probably will be able to increase its share of the

more than 10 percent of demand there.

Soviet sales of large quantities of oil in Western Europe at prices well below those prevailing in the market could have a temporarily disrupting effect. Such methods have been used as a temporary measure to acquire markets. Permanent price reductions, however, would reduce maximum Soviet earnings on this important source of foreign exchange needed to finance planned

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imports of Western plants under the Seven-Year Plan beginning this year.

The value of Moscow's oil sales to Western Europe was about \$100,000,000 in 1957--10 percent of the value of all its exports outside the bloc--and \$125,000,000 in 1958. Long-term contracts already concluded for sales in 1959 suggest that the USSR may earn more than \$200,000,000 in oil sales to Western Europe in 1959.

Pressures exerted on Western oil companies to distrib-

little difficulty in meeting its 1958 delivery schedules, and the target of the continuing expansion program for the Soviet tanker fleet is a capacity to deliver all 1959 petroleum exports in Soviet bottoms.

Soviet Sales Activity

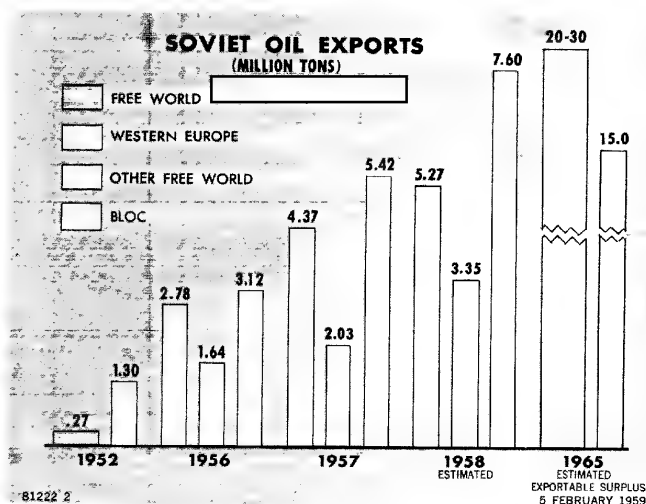
Even though the quantity of oil the USSR offers in Western Europe is not large in relation to total oil trade in the area, it could have serious disruptive effects in selected markets. With the limited surplus now available,

Moscow appears to be concentrating on those West European countries where it may feel it can most easily gain influence --Scandinavia, Italy, Greece, and Austria.

Moscow's sales program is aimed at markets and refineries controlled by independent operators who have about one fourth of West Europe's refining capacity. Although these independents presumably would be reluctant to become

predominantly dependent on Soviet sources of supply, Moscow's total petroleum exports to West Europe in 1958 amounted to little more than an eighth of their annual turnover of some 40,000,000 tons.

Soviet pressures on Finland, largely made possible by the importance of the USSR as a customer for Finnish goods, forced Helsinki to ask Western oil companies to cancel contracted deliveries of large quantities of crude oil, which was bought from the USSR instead. Western companies also agreed to provide storage facilities for Soviet oil. In



ute Soviet oil in Western Europe suggest that the USSR does not now intend to develop its own marketing facilities there.

Internal and external transportation problems which had plagued early Soviet efforts to export oil are being eliminated. The USSR plans to build a pipeline from the Urals-Volga oil field to the Baltic Sea which will contribute substantially to its ability to deliver larger quantities of oil to Western Europe by 1965. The USSR, chartering some free world vessels, had

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Sweden and Denmark, the USSR has offered bargain-priced oil. A large Swedish industrial concern was forced to buy oil in order to conclude sales of its products in the bloc, while the Danish Government was pressed to increase imports of Soviet oil for government installations in order to maintain sales of surplus agricultural products to the USSR.

By offering a barter deal which avoided the problems created by Iceland's exchange rate, the USSR has been able to secure contracts to supply virtually all of Iceland's oil requirements.

In Greece the USSR offered to exchange oil for agricultural commodities unsalable elsewhere, reducing agricultural surpluses and saving Greece's scarce foreign exchange. Moscow has recently reminded Athens that Soviet agreement to purchase these surplus products would be reconsidered if Greece does not use Soviet crude oil in a new refinery in which the government has a 30-percent interest.

Under the 1959 Soviet-Italian trade agreement, Rome, in an effort to expand its exports, agreed to increase imports of Soviet oil by 80 percent. Moscow also was able to increase oil sales there by offering to take chemical equipment and steel materials from an Italian firm in return for oil.

The USSR has been able to enter the Austrian oil market through its offer to reduce the burden of Austrian reparations deliveries of refined oil to the European satellites. Instead of actually cutting back such deliveries, however, the Soviet Union is shipping crude oil to Austria equal to one half Vienna's deliveries to the satellites called for by the original reparations agreement. To increase its sales in Austria, the USSR is offering other oil products at cut prices. An Austrian official has recently expressed concern that this Soviet practice may have greater importance when the pipeline from the USSR into Eastern Europe is completed.

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(Prepared by ORR)

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OPPOSITION GROWING TO TURKISH PRIME MINISTER

Dissatisfaction with economic conditions in Turkey and restrictions on individual freedom have contributed to a decrease in popular support of the Menderes government. During the past several months, both the opposition Republican People's party (RPP), led by former President Ismet Inonu, and a group of legislators from Menderes' own Democratic party have put him under intense pressure.

The prime minister, an adroit and able politician, has dominated the political scene

since 1950 by spending large amounts to modernize Turkey and by permitting the peasant majority to return to its former customs after several decades of enforced change. National elections for all 610 seats in the Grand National Assembly are due in 1961; Menderes' party now holds 414 seats.

Criticism is growing, however, among Democratic legislators, under pressure from their constituents over rising prices. Approximately 150 of them recently voted against

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Menderes' choice for majority leader, and one has even challenged the prime minister's leadership by sponsoring a bill to loosen restrictions on the press.

Menderes also faces aggressive attacks by the RPP, which



MENDERES

has just absorbed the small Freedom party, whose able leaders can be expected to add to the RPP's effectiveness and popular appeal. The principal beneficiary of Menderes' loss of popularity has been Inonu, the 74-year-old-military hero and close associate of Kemal Ataturk. Today many Turks consider Inonu the decisive leader needed to solve their country's problems. They overlook the RPP's unimpressive record in economic matters and its authoritarian tendencies before yielding power in Turkey's first free election in 1950.

Restricted Individual Freedom

Much of the bitter feeling between Menderes and Inonu springs from restrictions on individual freedom. The latest action against the press was the closing down of the RPP's principal newspaper, Ulus, for the second time in three months. In addition, the state radio broadcasts Democratic propaganda and refuses to sell the RPP any

time, even for brief announcements of major party meetings. The RPP is incensed over restrictions on the holding of political meetings and limitations on its use of the assembly to air its viewpoint. These repressive measures are unpopular with many independents and even some Democratic supporters.

Economic Dissatisfaction

Menderes' critics have held the initiative by appealing to long-standing dissatisfaction over economic conditions, particularly in the towns and cities. The promise last August of Western aid and credits totaling \$359,000,000 raised popular hopes that a rapid improvement in living standards would take place.

The stabilization program, however, has not yet benefited the consuming public, nor is it likely to do so for some time. Menderes last August took no steps to prepare the public for at least several more months of austerity. Increased quantities



INONU

of imported raw materials, machinery, and consumer goods will not begin to arrive in significant quantities for several weeks.

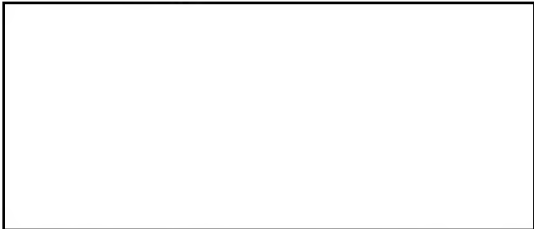
Turkey adopted a sweeping exchange rate devaluation and

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simplified export and import controls. Although Turkish exports now are more competitive in world markets, imports have become more expensive. Prices of locally produced goods formerly supported by subsidies or under rigid price controls have also risen.

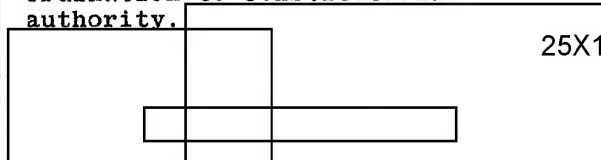


In a recent foreign policy speech at his party's convention, Inonu omitted the usual mention of Turkey's solidarity with the United States. He favors continuance of Turkey's NATO ties and undoubtedly understands its dependence on American economic support and military guarantees. However, should Inonu arouse the xenophobia of the public by urging that Turkey review military

base arrangements with the United States and demand that it drive a harder bargain, the Menderes government might have to take a less cooperative attitude toward the United States.

Future Political Stability

Any improvement in economic conditions would give Menderes a freer hand to make good his repeated threats to take further repressive measures against the RPP. Flagrantly unconstitutional actions, such as postponing the elections due in 1961, might result in the army's intercession in favor of the RPP. While the army tends to be partial to Inonu, it is disciplined and has a strong tradition of subordination to constitutional authority.



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